

JEFFERSON DAVIS COUNTY, MISSISSIPPI

Audited Primary Government Financial Statements and Special Reports
For the Year Ended September 30, 2007

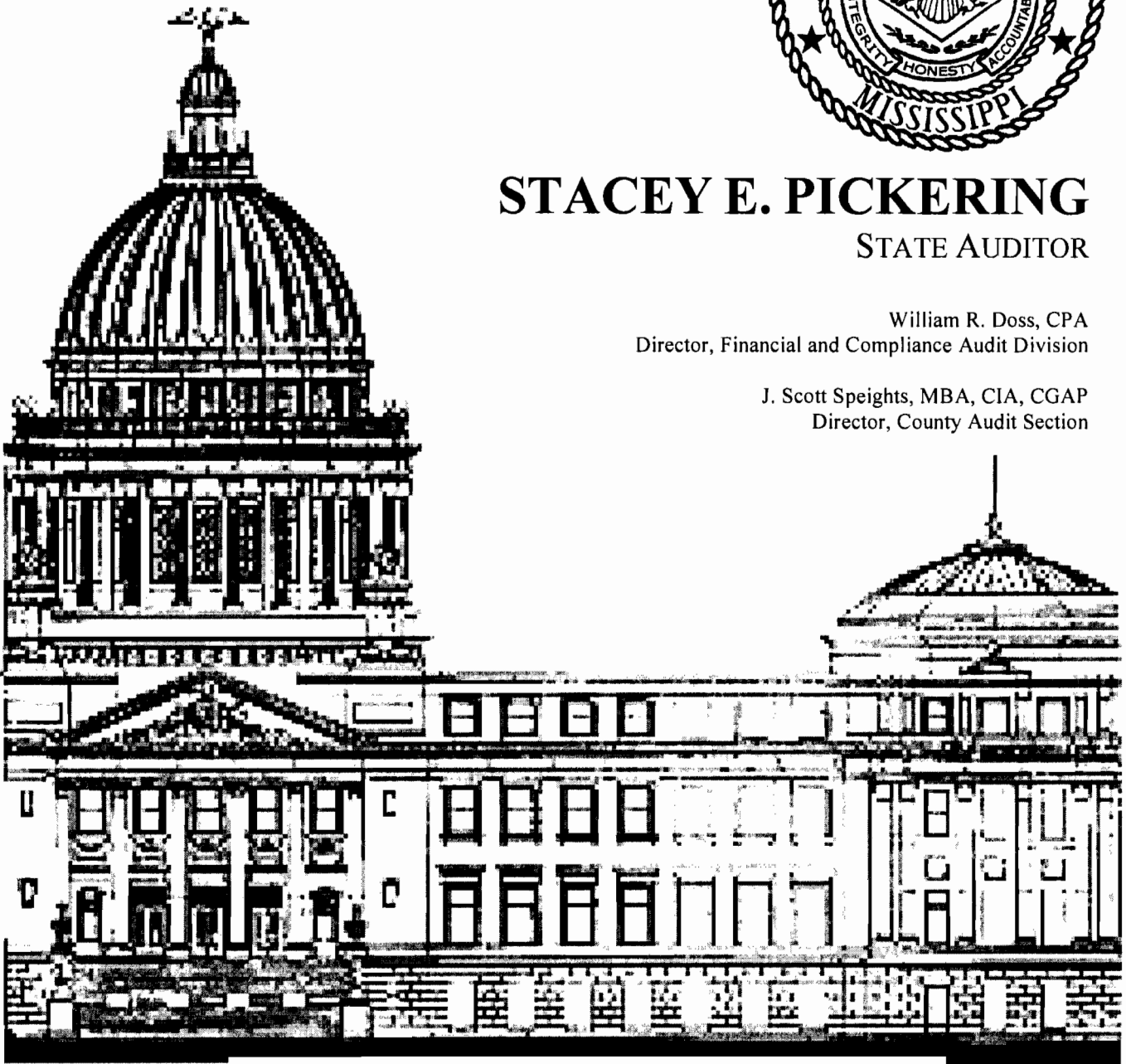


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
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A Report from the County Audit Section

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JEFFERSON DAVIS COUNTY

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JEFFERSON DAVIS COUNTY

FINANCIAL SECTION

JEFFERSON DAVIS COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Jefferson Davis County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Jefferson Davis County, Mississippi, as of and for the year ended September 30, 2007, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for the county's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. The county has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net assets, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

In our opinion, because of the omission of the discretely presented component units, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Jefferson Davis County, Mississippi, as of September 30, 2007, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of Jefferson Davis County, Mississippi, as of September 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2008, on our consideration of Jefferson Davis County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

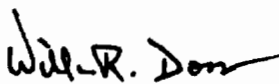
Jefferson Davis County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The Budgetary Comparison Schedule and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jefferson Davis County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The accompanying Reconciliation of Operating Costs of Solid Waste is also presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



STACEY E. PICKERING
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

April 25, 2008

JEFFERSON DAVIS COUNTY

FINANCIAL STATEMENTS

JEFFERSON DAVIS COUNTY

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JEFFERSON DAVIS COUNTY
Statement of Net Assets
September 30, 2007

Exhibit 1

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash	\$ 9,081,413
Property tax receivable	3,644,186
Fines receivable (net of allowance for uncollectibles of \$906,835)	264,869
Intergovernmental receivables	103,456
Other receivables	15,101
Capital assets:	
Land and construction in progress	328,562
Other capital assets, net	21,702,041
Total Assets	<u>35,139,628</u>
LIABILITIES	
Claims payable	150,372
Intergovernmental payables	145,104
Deferred revenue	3,644,186
Other payables	43,152
Long-term liabilities	
Due within one year:	
Non-capital debt	58,088
Due in more than one year:	
Non-capital debt	1,411,105
Total Liabilities	<u>5,452,007</u>
NET ASSETS	
Invested in capital assets, net of related debt	22,030,603
Restricted:	
Expendable:	
General government	410,603
Debt service	117,279
Public safety	69,452
Public works	1,397,326
Culture and recreation	5,460
Unemployment compensation	17,255
Capital projects	141,705
Unrestricted	5,497,938
Total Net Assets	<u>\$ 29,687,621</u>

The notes to the financial statements are an integral part of this statement.

JEFFERSON DAVIS COUNTY
Statement of Activities
For the Year Ended September 30, 2007

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 3,192,971	243,421		275,000	(2,674,550)
Public safety	1,443,367	179,259	142,094		(1,122,014)
Public works	2,780,666		853,584	51,825	(1,875,257)
Health and welfare	973,361		36,123	185,000	(752,238)
Culture and recreation	151,570				(151,570)
Conservation of natural resources	76,298		420		(75,878)
Economic development and assistance	121,684			113,978	(7,706)
Interest on long-term debt	65,270				(65,270)
Total Governmental Activities	<u>\$ 8,805,187</u>	<u>422,680</u>	<u>1,032,221</u>	<u>625,803</u>	<u>(6,724,483)</u>
General revenues:					
Property taxes				\$ 3,424,161	
Road & bridge privilege taxes				171,424	
Grants and contributions not restricted to specific programs				2,567,025	
Unrestricted interest income				553,973	
Miscellaneous				229,434	
Total General Revenues				<u>6,946,017</u>	
Changes in Net Assets					<u>221,534</u>
Net Assets - Beginning					32,974,592
Prior period adjustment					<u>(3,508,505)</u>
Net Assets - Beginning, as restated					<u>29,466,087</u>
Net Assets - Ending					<u>\$ 29,687,621</u>

The notes to the financial statements are an integral part of this statement.

JEFFERSON DAVIS COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2007

Exhibit 3

	<u>Major Fund</u>		<u>Total</u>
	<u>General</u>	Other	<u>Governmental</u>
	<u>Fund</u>	<u>Governmental</u>	<u>Funds</u>
		<u>Funds</u>	<u>Funds</u>
ASSETS			
Cash	\$ 7,276,161	1,805,252	9,081,413
Property tax receivable	2,077,089	1,567,097	3,644,186
Fines receivable (net of allowance for uncollectibles of \$906,835)	264,869		264,869
Intergovernmental receivables	60,642	42,814	103,456
Other receivables	15,101		15,101
Due from other funds		78,441	78,441
Total Assets	<u>\$ 9,693,862</u>	<u>3,493,604</u>	<u>13,187,466</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Claims payable	\$ 16,517	133,855	150,372
Intergovernmental payables	136,633		136,633
Due to other funds	86,912		86,912
Deferred revenue	2,341,958	1,567,097	3,909,055
Other payables	43,152		43,152
Total Liabilities	<u>2,625,172</u>	<u>1,700,952</u>	<u>4,326,124</u>
Fund balances:			
Reserved for:			
Debt service		117,279	117,279
Unemployment compensation		17,255	17,255
Unreserved - undesignated, reported in:			
General Fund	7,068,690		7,068,690
Special Revenue Funds		1,658,118	1,658,118
Total Fund Balances	<u>7,068,690</u>	<u>1,792,652</u>	<u>8,861,342</u>
Total Liabilities and Fund Balances	<u>\$ 9,693,862</u>	<u>3,493,604</u>	<u>13,187,466</u>

The notes to the financial statements are an integral part of this statement.

JEFFERSON DAVIS COUNTY
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
 September 30, 2007

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 8,861,342
Amounts reported for governmental services in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$35,571,028.	22,030,603
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	264,869
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	<u>(1,469,193)</u>
Total Net Assets - Governmental Activities	<u>\$ 29,687,621</u>

The notes to the financial statements are an integral part of this statement.

JEFFERSON DAVIS COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2007

	<u>Major Fund</u>		
	General	Other	Total
	Fund	Governmental	Governmental
	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
REVENUES			
Property taxes	\$ 1,903,703	1,520,458	3,424,161
Road and bridge privilege taxes		171,424	171,424
Licenses, commissions and other revenue	77,608	2,226	79,834
Fines and forfeitures	132,199		132,199
Intergovernmental revenues	2,558,857	1,666,192	4,225,049
Charges for services	46,170	128,546	174,716
Interest income	340,463	213,510	553,973
Miscellaneous revenues	211,518	15,681	227,199
Total Revenues	<u>5,270,518</u>	<u>3,718,037</u>	<u>8,988,555</u>
EXPENDITURES			
Current:			
General government	2,933,999	191,545	3,125,544
Public safety	1,221,241	329,665	1,550,906
Public works	75,526	2,912,433	2,987,959
Health and welfare	649,438	309,332	958,770
Culture and recreation	55,356	88,178	143,534
Conservation of natural resources	79,802		79,802
Economic development and assistance	61,017	49,854	110,871
Debt service:			
Principal		82,968	82,968
Interest		65,270	65,270
Total Expenditures	<u>5,076,379</u>	<u>4,029,245</u>	<u>9,105,624</u>
Excess of Revenues over (under) Expenditures	<u>194,139</u>	<u>(311,208)</u>	<u>(117,069)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	501	30,626	31,127
Transfers in	347,846	308,463	656,309
Transfers out	(257,091)	(399,218)	(656,309)
Total Other Financing Sources and Uses	<u>91,256</u>	<u>(60,129)</u>	<u>31,127</u>
Net Changes in Fund Balances	285,395	(371,337)	(85,942)
Fund Balances - Beginning	<u>6,783,295</u>	<u>2,163,989</u>	<u>8,947,284</u>
Fund Balances - Ending	<u>\$ 7,068,690</u>	<u>1,792,652</u>	<u>8,861,342</u>

The notes to the financial statements are an integral part of this statement.

JEFFERSON DAVIS COUNTY
 Reconciliation of the Statement of Revenues, Expenditures and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities
 For the Year Ended September 30, 2007

Exhibit 4-1

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (85,942)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$908,303 exceeded depreciation of \$690,834 in the current period.	217,469
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net gain of \$2,235 and the proceeds from the sale of \$31,127 in the current period.	(28,892)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	35,931
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount of the debt repayments.	<u>82,968</u>
Change in Net Assets of Governmental Activities	<u>\$ 221,534</u>

The notes to the financial statements are an integral part of this statement.

JEFFERSON DAVIS COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2007

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 116,079
Due from other funds	8,471
Total Assets	<u>\$ 124,550</u>
LIABILITIES	
Other liabilities	\$ 56,040
Intergovernmental payables	68,510
Total Liabilities	<u>\$ 124,550</u>

The notes to the financial statements are an integral part of this statement.

JEFFERSON DAVIS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Jefferson Davis County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Jefferson Davis County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the county. Accordingly, the financial statements do not include the data of all of the county's component units necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Jefferson Davis County Hospital
- Jefferson Davis County Economic Development District

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the county legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities and fund financial statements, which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues.

JEFFERSON DAVIS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2007

The Statement of Net Assets presents the financial condition of the governmental activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the county.

Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into governmental and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

C. Measurement Focus and Basis of Accounting.

The Government-wide and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Fund:

General Fund - This fund is used to account for all activities of the general government for which a separate fund has not been established.

JEFFERSON DAVIS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general obligation bond issues and federal grants.

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the county, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

E. Deposits and Investments.

State law authorizes the county to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the county may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the county did not invest in any governmental securities during the fiscal year.

F. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

JEFFERSON DAVIS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Jefferson Davis County elected to report major general infrastructure assets acquired after September 30, 1980, on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

I. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets.

JEFFERSON DAVIS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

J. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved with unreserved classified as designated and undesignated.

Unreserved fund balance represents the amount available for budgeting future operations. Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose.

K. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the county. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

JEFFERSON DAVIS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

L. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

(2) Prior Period Adjustment.

A summary of the significant fund equity adjustment is as follows:

Exhibit 2 - Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
To correct current year beginning balances of capital assets.	\$ <u><u>(3,508,505)</u></u>

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2007, was \$9,197,492, and the bank balance was \$9,193,489. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2007:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental Funds	General	\$ 78,441
Agency Funds	General	<u>8,471</u>
Total		<u>\$ 86,912</u>

JEFFERSON DAVIS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

The receivables represent the tax revenue collected but not settled until October, 2007. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 347,846
Other Governmental Funds	General Fund	257,091
Other Governmental Funds	Other Governmental Funds	51,372
Total		<u>\$ 656,309</u>

The principal purpose of interfund transfers was to provide funds for grant matches or to provide funds to pay for road repair. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2007, consisted of the following:

<u>Description</u>	<u>Amount</u>
Legislative tax credit	\$ 58,924
Welfare reimbursement	1,718
Community facilities loans and grants	42,814
Total	<u>\$ 103,456</u>

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2007:

Governmental activities:

	Balance Oct. 1, 2006	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments *</u>	Balance Sept. 30, 2007
<u>Non-depreciable capital assets:</u>					
Land	\$ 328,562				328,562
Construction in progress	3,213,177			(3,213,177)	0
Total non-depreciable capital assets	<u>3,541,739</u>	<u>0</u>	<u>0</u>	<u>(3,213,177)</u>	<u>328,562</u>
<u>Depreciable capital assets:</u>					
Infrastructure	45,877,456				45,877,456
Buildings	4,116,463			1,635,974	5,752,437
Improvements other than buildings	123,876				123,876

JEFFERSON DAVIS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

	Balance Oct. 1, 2006	Additions	Deletions	Adjustments *	Balance Sept. 30, 2007
Mobile equipment	4,497,297	845,043	210,173	79,527	5,211,694
Furniture and equipment	243,194	63,260		1,152	307,606
Leased property under capital leases	79,799			(79,799)	
Total depreciable capital assets	<u>54,938,085</u>	<u>908,303</u>	<u>210,173</u>	<u>1,636,854</u>	<u>57,273,069</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	28,988,017	152,526		1,904,655	31,045,198
Buildings	1,386,694	107,941		27,511	1,522,146
Improvements other than buildings	54,506	4,956		10	59,472
Mobile equipment	2,524,480	379,211	181,281	(9,657)	2,712,753
Furniture and equipment	151,656	46,200		33,603	231,459
Leased property under capital leases	23,940			(23,940)	
Total accumulated depreciation	<u>33,129,293</u>	<u>690,834</u>	<u>181,281</u>	<u>1,932,182</u>	<u>35,571,028</u>
Total depreciable capital assets, net	<u>21,808,792</u>	<u>217,469</u>	<u>28,892</u>	<u>(295,328)</u>	<u>21,702,041</u>
Governmental activities capital assets, net	<u>\$ 25,350,531</u>	<u>217,469</u>	<u>28,892</u>	<u>(3,508,505)</u>	<u>22,030,603</u>

* Adjustments are due to error corrections made by the county in prior years, the reclassification of completed construction in progress, and the reclassification of a paid-off capital lease to mobile equipment.

Depreciation expense was charged to the following functions:

	Amount
General government	\$ 82,044
Public safety	134,883
Public works	431,631
Health and welfare	14,591
Culture and recreation	15,146
Conservation of natural resources	1,726
Economic development and assistance	10,813
Total governmental activities depreciation expense	<u>\$ 690,834</u>

JEFFERSON DAVIS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

(7) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2007, to January 1, 2008. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(8) Operating Leases.

As Lessor:

The county receives income from property it leases under noncancellable operating leases. Total income from such leases was \$24,000 for the year ended September 30, 2007. The lease is automatically renewed from year to year unless notice of termination is given in writing by either party at least 30 days prior to the last day of the lease term.

(9) Long-term Debt.

Debt outstanding as of September 30, 2007, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
A. General Obligation Bonds:			
Hospital bond	\$ <u>1,469,193</u>	4.25%	07-25

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Assets are as follows:

Year Ending September 30	Principal	Interest
2008	\$ 58,088	62,246
2009	60,576	59,777
2010	63,150	57,203
2011	65,832	54,519
2012	68,628	51,721
2013 - 2017	389,454	212,292
2018 - 2022	479,622	122,192
2023 - 2027	<u>283,843</u>	<u>21,583</u>
Total	\$ <u>1,469,193</u>	<u>641,533</u>

JEFFERSON DAVIS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2007, the amount of outstanding debt was equal to less than 1% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2007:

	Balance Oct. 1, 2006	Additions	Reductions	Adjustment	Balance Sept. 30, 2007	Amount due within one year
General obligation bonds	\$ 1,524,736		55,543		1,469,193	58,088
Capital leases	27,425		27,425		0	0
Total	\$ <u>1,552,161</u>	<u>0</u>	<u>82,968</u>	<u>0</u>	<u>1,469,193</u>	<u>58,088</u>

(10) Contingencies.

Federal Grants - The county has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county. No provision for any liability that may result has been recognized in the county's financial statements.

Litigation - The county is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the county with respect to the various proceedings. However, the county's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the county.

(11) Related Organization.

The Jefferson Davis County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Prentiss/Jefferson Davis County Airport, but the county's accountability for this organization does not extend beyond making the appointment. The county appropriated \$5,000 for the airport's support in fiscal year 2007.

(12) Joint Venture.

The county participates in the following joint venture:

Jefferson Davis County is a participant with Marion County in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the South Mississippi Regional Library. The joint venture was created to provide library service for the Counties of Jefferson Davis and Marion, and is governed by a five-member board. The two counties rotate board appointments so each county has a majority of board members in alternate years. Complete financial statements for the South Mississippi Regional Library can be obtained from the Marion County branch located at 900 Broad Street, Columbia, Mississippi.

JEFFERSON DAVIS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

(13) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Pearl River Valley Opportunity, Inc., operates in a district composed of the Counties of Covington, Forrest, Jefferson Davis, Jones, Lamar, Marion, Pearl River and Perry. The entity was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Jefferson Davis County Board of Supervisors appoints one of the 24 members of the board of directors. The primary source of funding for the entity is derived from federal funds. Each county provides a modest amount of financial support when matching funds are required for federal grants.

Southeast Mississippi Air Ambulance District operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Lamar, Marion, Pearl River, Perry, Stone and Walthall. The Jefferson Davis County Board of Supervisors appoints one of the ten members of the board of directors. The county appropriated \$30,500 for support of the district in fiscal year 2007.

Pearl River Community College operates in a district composed of the Counties of Forrest, Hancock, Jefferson Davis, Lamar, Marion and Pearl River. The Jefferson Davis County Board of Supervisors appoints two of the 16 members of the college board of trustees. The county appropriated \$150,226 for maintenance and support of the college in fiscal year 2007.

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The Jefferson Davis County Board of Supervisors appoints one of the 27 members of the board of directors. The county appropriated \$20,162 for support of the district in fiscal year 2007.

Pine Belt Mental Health Care Resources operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Jones, Lamar, Marion, Perry and Wayne. The Jefferson Davis County Board of Supervisors appoints one of the nine members of the board of commissioners. The county appropriated \$31,000 for support of the entity in fiscal year 2007.

Pearl and Leaf River Rails-to-Trails Recreational District operates in a district composed of the Counties of Forrest, Jefferson Davis and Lamar, and the Cities of Bassfield, Hattiesburg, Prentiss and Sumrall. The Jefferson Davis County Board of Supervisors appoints one of the seven members of the board of directors. The county appropriated \$15,550 for support of the district in fiscal year 2007.

(14) Defined Benefit Pension Plan.

Plan Description. Jefferson Davis County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

JEFFERSON DAVIS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2007 was 11.85% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2007, 2006 and 2005 were \$257,206, \$231,528 and \$213,668, respectively, equal to the required contributions for each year.

JEFFERSON DAVIS COUNTY

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JEFFERSON DAVIS COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

JEFFERSON DAVIS COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2007

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,795,800	1,854,665	1,854,665	
Licenses, commissions and other revenue	66,550	75,409	75,409	
Fines and forfeitures	122,000	132,199	132,199	
Intergovernmental revenues	2,507,400	3,142,210	2,771,875	(370,335)
Charges for services	20,000	46,170	46,170	
Interest income	200,000	340,466	340,466	
Miscellaneous revenues	104,525	203,469	203,469	
Total Revenues	<u>4,816,275</u>	<u>5,794,588</u>	<u>5,424,253</u>	<u>(370,335)</u>
EXPENDITURES				
Current:				
General government	4,698,520	2,967,754	2,967,754	
Public safety	1,336,964	1,224,321	1,224,321	
Public works	14,000	75,526	75,526	
Health and welfare	186,587	654,688	654,688	
Culture and recreation	46,000	55,356	55,356	
Education	218,000	214,735	214,735	
Conservation of natural resources	92,353	79,626	79,626	
Economic development and assistance	50,700	61,367	61,367	
Total Expenditures	<u>6,643,124</u>	<u>5,333,373</u>	<u>5,333,373</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(1,826,849)</u>	<u>461,215</u>	<u>90,880</u>	<u>(370,335)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets			501	501
Compensation for loss of capital assets			5,466	5,466
Transfers out	(3,477,972)	(722,234)	(667,790)	54,444
Other financing sources	666,499	437,358	755,085	317,727
Other financing uses	(60,000)			
Total Other Financing Sources and Uses	<u>(2,871,473)</u>	<u>(284,876)</u>	<u>93,262</u>	<u>378,138</u>
Net Change in Fund Balance	(4,698,322)	176,339	184,142	7,803
Fund Balances - Beginning	<u>4,698,322</u>	<u>6,790,993</u>	<u>6,783,190</u>	<u>(7,803)</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>6,967,332</u>	<u>6,967,332</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

JEFFERSON DAVIS COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2007

A. Budgetary Information.

Statutory requirements dictate how and when the county's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The county's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund:

	Governmental Fund Type
	<u>General Fund</u>
Budget (Cash Basis)	\$ 184,142
Increase (Decrease)	
Net adjustments for revenue accruals	164,488
Net adjustments for expenditure accruals	<u>(63,235)</u>
GAAP Basis	<u>\$ 285,395</u>

JEFFERSON DAVIS COUNTY

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JEFFERSON DAVIS COUNTY

SUPPLEMENTAL INFORMATION

JEFFERSON DAVIS COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2007

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
MAJOR FEDERAL AWARDS			
U.S. Department of Homeland Security/ Passed-through the Mississippi Emergency Management Agency Mississippi Emergency Management Agency Disaster grants - public assistance	97.036	1604-DR-MS	\$ <u>370,335</u>
Total Expenditures of Major Federal Awards			<u>370,335</u>
OTHER FEDERAL AWARDS			
U.S. Department of Agriculture/ Rural Business - Cooperative Services Community facilities loans and grants	10.766	N/A	100,000
Community facilities loans and grants	10.766	N/A	85,000
Community facilities loans and grants	10.766	N/A	<u>63,918</u>
Subtotal			<u>248,918</u>
U.S. Department of Agriculture/ Rural Business - Cooperative Services Rural business enterprise grants	10.769	N/A	<u>29,688</u>
Total U.S. Department of Agriculture			<u>278,606</u>
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority Community development block grants/state's program	14.228	1120-03-033-PF-01	<u>20,166</u>
U.S. Department of Transportation - Federal Highway Administration/Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	BR NBIS 067 B(33)(F)	<u>2,470</u>
U.S. Department of Homeland Security/ Passed-through the Mississippi Department of Public Safety Office of Homeland Security Homeland Security Cluster State domestic preparedness equipment support program	97.004	06LE033	<u>9,736</u>
Total Expenditures of Other Federal Awards			<u>310,978</u>
Total Expenditures of Federal Awards			<u>\$ <u>681,313</u></u>

JEFFERSON DAVIS COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2007

(Continued)

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

JEFFERSON DAVIS COUNTY

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JEFFERSON DAVIS COUNTY
Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2007

Operating Expenditures, Cash Basis:

Salaries	\$	175,099
Expendable Commodities:		
Gasoline and petroleum products		46,395
Repair parts		4,635
Maintenance		7,475
Contractual services		130,356
Supplies		2,288
Equipment		<u>83,667</u>
Solid Waste Cash Basis Operating Expenditures		449,915
Full Cost Expenses:		
Indirect administrative costs		3,346
Depreciation on equipment		<u>60,231</u>
Solid Waste Full Cost Operating Expenses	\$	<u><u>513,492</u></u>

JEFFERSON DAVIS COUNTY

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JEFFERSON DAVIS COUNTY

SPECIAL REPORTS

JEFFERSON DAVIS COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Board of Supervisors
Jefferson Davis County, Mississippi

We have audited the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Jefferson Davis County, Mississippi, as of and for the year ended September 30, 2007, which collectively comprise the county's basic financial statements and have issued our report thereon dated April 25, 2008. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the reporting entity that include the financial data for its component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jefferson Davis County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Jefferson Davis County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as findings 07-1, 07-2, 07-3 and 07-4 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

Our consideration of the internal control over financial reporting was for limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 07-1, 07-2 and 07-3 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jefferson Davis County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

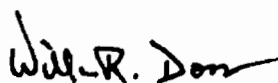
However, we noted certain matters that we reported to the management of Jefferson Davis County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated April 25, 2008, included within this document.

Jefferson Davis County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Jefferson Davis County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



STACEY E. PICKERING
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

April 25, 2008



State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Members of the Board of Supervisors
Jefferson Davis County, Mississippi

Compliance

We have audited the compliance of Jefferson Davis County, Mississippi, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2007. Jefferson Davis County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Jefferson Davis County, Mississippi's management. Our responsibility is to express an opinion on Jefferson Davis County, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jefferson Davis County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Jefferson Davis County, Mississippi's compliance with those requirements.

In our opinion, Jefferson Davis County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2007.

Internal Control Over Compliance

The management of Jefferson Davis County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Jefferson Davis County, Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the county's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in a county's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 07-5 to be a significant deficiency.

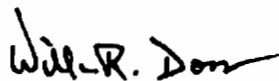
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

Jefferson Davis County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Jefferson Davis County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



STACEY E. PICKERING
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

April 25, 2008



State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM, INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES (REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))

Members of the Board of Supervisors
Jefferson Davis County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Jefferson Davis County, Mississippi, as of and for the year ended September 30, 2007. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

The Board of Supervisors of Jefferson Davis County, Mississippi, is responsible for establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972). In addition, the Board of Supervisors is responsible for purchasing in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972). The Board of Supervisors of Jefferson Davis County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The results of our audit procedures disclosed a certain instance of noncompliance with the aforementioned code sections. This instance of noncompliance was considered in forming our opinion on compliance. Our finding and recommendation and your response are disclosed below:

Inventory Control Clerk.

Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to establish and maintain an inventory system. An effective system of internal control over the inventory system includes maintenance of accurate records. The beginning amounts for capital assets and related accumulated depreciation did not agree to the prior year ending balances. In prior years, the county used a different inventory program which did not properly calculate the depreciation, and therefore, the depreciation was manually computed by the Inventory Control Clerk. The clerk also made a booking error in the prior year in construction in progress. As a result, large adjustments were necessary to balance to the county's records. Extra time was needed to reconcile the fixed asset listing to the county records. The failure to maintain an effective inventory control system could result in the reporting of inaccurate amounts and increases the possibility of the loss or misappropriation of public funds.

Recommendation

The Inventory Control Clerk should implement procedures necessary to maintain accurate inventory records documenting the existence, completeness and valuation of capital assets.

Purchase Clerk's Response

I am confident that there should not be any further problems with the inventory control system as we are now currently operating under a new financial system.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Jefferson Davis County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

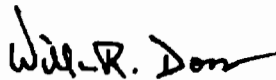
The accompanying schedules of (1) purchases not made from the lowest bidder, (2) emergency purchases and purchases made noncompetitively from a sole source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned study and evaluation of the purchasing system and, in our opinion, is fairly presented when considered in relation to that study and evaluation.

Jefferson Davis County's response to the finding included in this report was not audited and, accordingly, we express no opinion on it.

This report is intended for use in evaluating the central purchasing system and inventory control system of Jefferson Davis County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.



STACEY E. PICKERING
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

April 25, 2008

JEFFERSON DAVIS COUNTY
 Schedule of Purchases Not Made From the Lowest Bidder
 For the Year Ended September 30, 2007

Schedule 1

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
11/21/06	Engine replacement on garbage truck	\$ 13,980	McMullan Equipment	\$ 12,142	Past experience with company; McMullan performed diagnostics; truck would have to be towed to Jackson, MS

JEFFERSON DAVIS COUNTY
 Schedule of Emergency Purchases
 For the Year Ended September 30, 2007

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
03/28/07	Fire truck	\$ 170,381	Sunbelt Fire	Fire truck was totaled in accident; community of Good Hope would be without fire protection.
06/18/07	Parts	151	Hattiesburg Hydraulics	No telephone service due to an electrical outage.
09/24/07	Bridge pilings	18,850	Pearl River Paving Company	Pilings were rotten and presented a hazard to citizens.

JEFFERSON DAVIS COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2007

Schedule 3

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
08/07/07	Mapping software	\$ 6,270	ESRI, Inc.

JEFFERSON DAVIS COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Jefferson Davis County, Mississippi

In planning and performing our audit of the financial statements of Jefferson Davis County, Mississippi for the year ended September 30, 2007, we considered Jefferson Davis County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Jefferson Davis County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated April 25, 2008, on the financial statements of Jefferson Davis County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our finding and recommendation and your response are disclosed below:

Chancery Clerk.

Finding

The following deficiencies were noted in the system of accounting for land redemption.

- a. Collections were not deposited into the bank on a daily basis and deposits frequently did not match the amounts collected resulting in a shortage of \$417.45.
- b. The bank statements were not properly reconciled to the book balance.

- c. Settlement reports could not be matched to bank deposits because of inadequate bookkeeping.
- d. Release numbers were not properly recorded on deposit slips making it impossible to determine whether the correct amounts were deposited into the bank.
- e. Cash was found in the deputy clerk's desk drawer attached to a paid release that should have been deposited into the bank a month earlier.

The failure to implement the proper controls over land redemption could result in the loss or misappropriation of public funds.

Recommendation

The Chancery Clerk should adhere to the prescribed accounting system for land redemption and should pay the shortage in the amount of \$417.45 to the land redemption account.

Chancery Clerk's Response

Deficiency has already been paid.

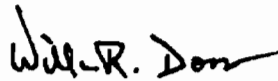
Auditor's Note

The Chancery Clerk repaid \$417.45 to the land redemption account on February 5, 2008, as evidenced by check number 11770 written on the clerk's personal checking account.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than this party. However, this report is a matter of public record and its distribution is not limited.



STACEY E. PICKERING
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

April 25, 2008

JEFFERSON DAVIS COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JEFFERSON DAVIS COUNTY

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JEFFERSON DAVIS COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2007

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|-------------------------------------------------------------------------------------------|-------------|
| 1. | Type of auditor's report issued on the financial statements: | |
| | Governmental activities | Unqualified |
| | General Fund | Unqualified |
| | Aggregate remaining fund information | Unqualified |
| | Aggregate discretely presented component units | Adverse |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness identified? | Yes |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | Yes |
| 3. | Noncompliance material to the financial statements? | No |

Federal Awards:

- | | | |
|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness identified? | No |
| | b. Significant deficiency identified that is not considered to be a material weakness? | Yes |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 6. | Any audit finding reported as required by Section ____ .510(a) of Circular A-133? | Yes |
| 7. | Federal program identified as a major program: | |
| | a. Disaster grants - public assistance, CFDA #97.036 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit finding and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133? | Yes |

JEFFERSON DAVIS COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2007

Section 2: Financial Statement Findings

Board of Supervisors.

Significant Deficiency - Material Weakness

07-1. Finding

A critical aspect of effective financial management is the maintenance of accurate accounting records. Management does not have personnel that possess the necessary qualifications and training to prepare financial statements in accordance with generally accepted accounting principles. Due to the fact that county personnel lacked the skills and knowledge to apply generally accepted accounting principles in recording the entity's financial transactions and preparing its financial statements, the auditor was relied on to perform these tasks. Without adequate controls in place over the recording and reporting of financial records, the risk increases that inaccurate information may be reported and increases the possibility of the loss or misappropriation of public funds.

Recommendation

The Board of Supervisors should establish adequate controls and procedures to ensure that financial transactions are recorded, presented and disclosed in accordance with generally accepted accounting principles.

Significant Deficiency - Material Weakness

07-2. Finding

Generally accepted accounting principles require the financial data for the county's component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. The financial statements do not include the financial data for the county's legally separate component units. The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component units.

Recommendation

The Board of Supervisors should provide the financial data for its discretely presented component units for the inclusion in the county's financial statements.

JEFFERSON DAVIS COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2007

Inventory Control Clerk.

Significant Deficiency - Material Weakness

07-3. Finding

An effective system of internal control over the inventory system includes maintenance of accurate records. The beginning amounts for capital assets and related accumulated depreciation did not agree to the prior year ending balances. In prior years, the county used a different inventory program which did not properly calculate the depreciation, and therefore, the depreciation was manually computed by the Inventory Control Clerk. The clerk also made a booking error in the prior year in construction in progress. As a result, large adjustments were necessary to balance to the county's records. Extra time was needed to reconcile the fixed asset listing to the county records. The failure to maintain an effective inventory control system could result in the reporting of inaccurate amounts and increases the possibility of the loss or misappropriation of public funds.

Recommendation

The Inventory Control Clerk should implement procedures necessary to maintain accurate inventory records documenting the existence, completeness and valuation of capital assets.

Tax Assessor-Collector.

Significant Deficiency

07-4. Finding

An effective system of control over the collection, recording and disbursement of cash should include maintaining a cash journal. As reported in the prior two years' audit reports, the cash journal was not properly maintained. The failure to properly maintain a cash journal could result in inaccurate reporting, incomplete settlements and increases the possibility of the loss or misappropriation of public funds.

Recommendation

The Tax Assessor-Collector should properly maintain a cash journal.

JEFFERSON DAVIS COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2007

Section 3: Federal Award Findings and Questioned Costs

07-5. Finding

97.036 Disaster grants - public assistance
 Grant number 1604-DR-MS
 U.S. Department of Homeland Security/
 Passed-through the Mississippi Emergency Management Agency

Significant Deficiency

Compliance Requirement: Procurement and Suspension and Debarment - Controls Over Procurement, Suspension and Debarment Should Be Strengthened

The OMB Circular A-133 Compliance Supplement, Part 3(I), specifies that a non-federal entity entering into a covered transaction with another entity must verify that the entity is not suspended or debarred or otherwise excluded. The county entered into a contract for services, which qualified as a covered transaction. As reported in the prior year audit report, during our audit testing procedures, we noted no evidence that control activities were in place to ensure that verification was obtained to determine if the entity was suspended or debarred.

Recommendation

The Board of Supervisors should implement controls to ensure verification is obtained that an entity is not suspended or debarred or otherwise excluded. The verification may be accomplished by checking the *Excluded Parties List System* maintained by the General Services Administration, collecting a certification from the entity or adding a clause or condition to the covered transaction with the entity.

JEFFERSON DAVIS COUNTY

AUDITEE'S CORRECTIVE ACTION PLAN
AND
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDING

JEFFERSON DAVIS COUNTY

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**JEFFERSON DAVIS COUNTY
BOARD OF SUPERVISORS
P. O. Box 1317
Prentiss, Mississippi 39474
601-792-4336**

**CORRECTIVE ACTION PLAN
February 22, 2008**

Office of the State Auditor
P. O. Box 956
Jackson, MS 39205

Gentlemen:

Jefferson Davis County respectfully submits the following corrective action plan for the year ended September 30, 2007.

The findings from the schedule of Findings and Questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section 1: Summary of Auditor's Results, does not include findings and is not addressed.

SECTION 2: FINANCIAL STATEMENT FINDINGS

- 07-1 Corrective Action Planned:** Jefferson Davis County is in the process of establishing adequate controls in preparation of its financial statements.

Anticipated Completion Date: Ending of 2008 Fiscal Year.

Contact Person Responsible for Corrective Action: Board of Supervisors,
Jefferson Davis County, MS.

- 07-2 Corrective Action Planned:** Jefferson Davis County will have available and provide the financial data for all component units to include in the county's financial statements in the future.

Anticipated Completion Date: Ending of 2008 Fiscal Year.

Contact Person Responsible for Corrective Action: Board of Supervisors,
Jefferson Davis County, MS.

07-3 Corrective Action Planned: I am confident that there should not be any further problems with the inventory control system as we are now currently operating under a new financial system.

Anticipated Completion Date: Immediately.

Contact Person Responsible for Corrective Action: Susan Arrington, Inventory Control Clerk, Jefferson Davis County, MS.

07-4 This problem evolved from an implementation of the computer/bookkeeping program in the year 2001. The Tax Collector's office, as well as the delta computer system, has been working to alleviate this problem.

Anticipated Completion Date: Ending of 2008 Fiscal Year.

Contact Person Responsible for Corrective Action: Sue S. Worthy, Tax Collector and Assessor, Jefferson Davis County, MS.

SECTION 3: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

07-5 Corrective Action Planned: When Jefferson Davis County enters into a covered transaction with another entity, the Board of Supervisors will include in the contract and have verification that the entity is not suspended or debarred or otherwise excluded.

Anticipated Completion Date: Effective immediately.

Contact Person Responsible for Corrective Action: Board of Supervisors of Jefferson Davis County, MS.

Sincerely yours,

JEFFERSON DAVIS COUNTY,
MISSISSIPPI



John Thompson, President, Board
of Supervisors
(601) 792-4336

**JEFFERSON DAVIS COUNTY, MISSISSIPPI
BOARD OF SUPERVISORS
P. O. BOX 1317
PRENTISS, MS 39474
(601) 792-4336**

April 1, 2008

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For Year Ended September 30, 2006

Office of the State Auditor
P. O. Box 956
Jackson, MS 39205

Gentlemen:

Jefferson Davis County respectfully submits the following summary schedule of prior audit findings relative to federal awards.

U. S. DEPARTMENT OF HOMELAND SECURITY

2006 - FINDING NO. 3: U. S. Department of Homeland Security/ Passed-through the Mississippi Emergency Management Agency, Grant Number 1604-DR-MS.

Condition: The OMB Circular A-133 Compliance Supplement, Part 3(I), specifies that a non-federal entity entering into a covered transaction with another entity must verify that the entity is not suspended or debarred or otherwise excluded. The county entered into a contract for services, which qualified as a covered transaction. During our audit testing procedures, we noted no evidence that control activities were in place to ensure that verification was obtained to determine if the entity was suspended or debarred.

Recommendation:

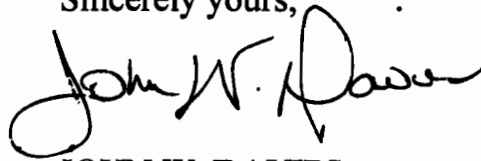
The Board of Supervisors should implement controls to ensure verification is obtained that an entity is not suspended or

debarred or otherwise excluded. The verification may be accomplished by checking the Excluded Parties List System maintained by the General Services Administration, collecting a certification from the entity or adding a clause or condition to the covered transaction with the entity.

Current Status:

Jefferson Davis County has not entered into any similar covered transaction with another entity, but when the County does, the County plans to include in the contract and have verification that the entity is not suspended or debarred or otherwise excluded.

Sincerely yours,

A handwritten signature in black ink that reads "John W. Davies". The signature is written in a cursive style with a large initial "J" and a distinct "W".

JOHN W. DAVIES
CHANCERY CLERK
(601) 792-4204